



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5735-N-04]

### **Home Equity Conversion Mortgage (HECM) Program: Mortgagee Optional Election Assignment for Home Equity Conversion Mortgages (HECMs) with FHA Case Numbers assigned prior to August 4, 2014 – Solicitation of Comment**

**AGENCY:** Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

**ACTION:** Notice.

**SUMMARY:** On January 29, 2015, the Federal Housing Administration (FHA) issued Mortgagee Letter 2015-03, setting out an alternative path to claim payment—the Mortgagee Optional Election Assignment—for certain HECMs. FHA issued this Mortgagee Letter pursuant to the authority granted to it in the Reverse Mortgage Stabilization Act of 2013 and Section 230 of the National Housing Act. This alternative path to claim payment is necessary in order to ensure the financial viability of the HECM program and the FHA insurance funds. The mortgagee letter was issued for immediate effect and only applies to HECMs assigned an FHA Case Number prior to August 4, 2014, where there is a Non-Borrowing Spouse. This notice solicits comment for a period of 30 days on the alternative option for claim payment announced in Mortgagee Letter 2015-03.

**DATES:** Comment Due Date: **[INSERT DATE THAT IS 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.]**

**ADDRESSES:** Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

**1. Submission of Comments by Mail.** Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

**2. Electronic Submission of Comments.** Interested persons may submit comments electronically through the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov). HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the [www.regulations.gov](http://www.regulations.gov) website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

**Note:** To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

*No Facsimile Comments.* Facsimile (FAX) comments are not acceptable.

**Public Inspection of Public Comments.** All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an appointment to review the public comments must be

scheduled in advance by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 1-800-877-8339 (this is a toll-free number). Copies of all comments submitted are available for inspection and downloading at [www.regulations.gov](http://www.regulations.gov).

**FOR FURTHER INFORMATION CONTACT:** Ivery Himes, Director, Office of Single Family Asset Management, Office of Housing, Department of Housing and Urban Development, 451 7th Street SW, Room 9172, Washington, DC 20410; telephone number 202-708-1672 (this is not a toll-free number). Persons with hearing or speech impairments may access this number by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

**SUPPLEMENTAL INFORMATION:**

FHA has a statutory obligation to ensure the fiscal soundness of the FHA insurance funds and must take into account the financial and administrative burden of any potential alternative to claim payment that may be afforded to mortgagees holding any eligible HECMs that were assigned FHA Case Numbers prior to August 4, 2014. FHA also has the ability, pursuant to the Reverse Mortgage Stabilization Act of 2013 (Public Law 113-29), to establish, by notice or mortgagee letter, any additional or alternative requirements that the Secretary, in the Secretary's discretion, determines are necessary to improve the fiscal safety and soundness of the HECM program authorized by section 255 of the National Housing Act.

FHA provided two alternative paths to claim payment in pending litigation: the Hold Election and the Mortgagee Optional Election Assignment, which are further

discussed in Mortgagee Letter 2015-03<sup>1</sup>. When analyzed in the aggregate, these options are costly; either option, even if offered alone, poses a significant financial impact to the FHA insurance funds. The Hold Election, when applied to the potential universe of mortgages involving Non-Borrowing Spouses of HECM borrowers, imposes a financial risk to the insurance funds that is simply too great. FHA's obligation to protect the soundness of the insurance funds makes it impossible to offer this option broadly. Even though the Mortgagee Optional Election Assignment also poses a financial risk to the FHA insurance funds, the risk is significantly less; therefore, FHA has determined that the only alternative path to claim payment that FHA will permit mortgagees to elect, pursuant to Mortgagee Letter 2015-03, is the Mortgagee Optional Election Assignment.

In Mortgagee Letter 2015-03, FHA set out the Mortgagee Optional Election Assignment path to claim payment for existing HECMs with FHA Case Numbers issued prior to August 4, 2014. FHA alerted mortgagees that aside from the present procedures for either the sale of the home or foreclosure of the HECM in accordance with the

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<sup>1</sup> Mortgagee Letter 2015-03 is available at <http://portal.hud.gov/hudportal/documents/huddoc?id=15-03ml.pdf>.

contract as endorsed, or the Mortgagee Optional Election Assignment alternative, no other path to claim payment exists.

Comments on the changes announced in Mortgage Letter 2015-03 will be accepted for a period of 30 days and will be considered by HUD.

Dated: February 3, 2015. \_\_\_\_\_

Biniam Gebre,  
Acting Assistant Secretary for Housing—  
Federal Housing Commissioner.

**[FR-5735-N-04]**

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